IDENTIFYING OPTIONS FOR USING CHARITABLE ASSETS TO IMPROVE HEALTH IN THE DISTRICT OF COLUMBIA

Prepared For

CareFirst, Inc.

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EXECUTIVE SUMMARY

The creation of a charitable foundation from the District of Columbia's share of the proceeds from the conversion and sale of CareFirst, Inc. presents the District with an historic opportunity. For a variety of reasons, Washington, D.C. has relatively few foundations whose missions and activities are local in nature, as compared to other cities of its size and vitality. This new foundation would not only be the first foundation established since the early 1990's that was dedicated to the health and well-being of the city's residents, it would be one of the largest of its kind in the District. As such, it would provide the citizens of the District with the opportunity and resources to address a number of pressing health care needs.

This paper, presents a menu of policy options that could be pursued using the charitable assets generated by the proposed conversion and merger. The first section of the paper briefly presents a series of health indicators in the District and explains concerns that have been voiced about the health care delivery system. The key findings are that:

(1) The District has a substantially higher incidence of a number of diseases and illnesses than the nation as a whole; and

(2) Many residents of the District lack a medical home and access to affordable and timely primary and preventive care.

This background section also presents an update on some of the more recent developments concerning health care in the District, such as the restructuring of D.C. General Hospital and the creation of the D.C. Healthcare Alliance.

The bulk of this paper then concentrates on identifying opportunities for improving the health care system and health outcomes in the District, including specific examples of activities that would help achieve these improvements and outcomes that could be funded by a foundation. The size of the foundation would be more than sufficient to fund a number of activities. Moreover, the potential improvements and outcomes outlined in this paper are both realistic and achievable, depending on the level of resources ultimately committed to addressing them. The menu of policy options is organized into five broad categories, as follows:

- ***Expansions in public and private coverage.*** Included here, among other things, are tax preferences for employers and workers and measures such as a high-risk insurance pool or a

purchasing cooperative to assist people who, for reasons related to their medical conditions or the small size of their employers, face particularly high premiums.

- ***Strengthening the health care safety net.*** Included are ideas about reallocating funds within the health system to address unmet needs and direct service outreach strategies.
- ***Enhanced health initiatives and disease management strategies.***
- ***Improved access to prescription drugs*** for low-income District residents.
- ***New research and policy activities*** that would help the city coordinate various grant initiatives and leverage funds more effectively.

The purpose of this paper is to inform the Commissioner's review of the proposed conversion. Beyond that, it is CareFirst's desire that this paper will serve to generate some discussion around these policy options and the important public policy issues raised by the potential receipt of hundreds of millions of dollars by the District for charitable purposes. Of course, the charitable foundation created from the conversion and sale of CareFirst, Inc. to WellPoint would be completely separate from CareFirst and WellPoint; any decisions regarding the specific allocation of funds by the foundation would be made independently of both health plans, and would be subject to public review and discussion.

STATEMENT OF PURPOSE AND GOAL

In his letter dated May 21, 2002, Commissioner Mirel requested that the Draft Amended and Restated Application address and explain "for what specific purposes [the charitable assets] should be used upon conversion," among other things.

In accordance with the Commissioner's request, CareFirst presents the following menu of specific purposes for which charitable assets could be used to improve the health of the residents of the District of Columbia. This paper is not intended to specify an exact course of action. This would be premature. Any decisions about the specific allocation of funds would be made by the foundation, without input from CareFirst or WellPoint, but after public discussion and debate, as well as input from stakeholders and elected officials.

In laying out various options available to the District, the following paper first presents information about the health of the District's residents, ongoing challenges and threats to public health and unfolding changes in the health care delivery system. The menu of policy options is organized into five categories: public and private coverage expansion strategies; ways to strengthen the health care safety net; health initiatives and disease management strategies; options related to prescription drugs; and research and policy activities. At the end of each category are some suggestions for fundable activities that could provide some guidelines for a conversion foundation.

STATEMENT OF THE PROBLEM

The charitable assets generated by the proposed conversion and merger would provide the District with the opportunity and resources to address a number of pressing health care needs. The following section outlines some of those health care needs and identifies some of the major problems with the delivery system in the District.

Health Status

Residents of the District of Columbia generally have a higher incidence of health risk factors and disease than the United States as a whole (see Table 1). While there have been improvements in some areas, such as teen pregnancy and infant mortality,[1] and the District does have a lower rate of cerebrovascular disease than the nation as a whole, there are still many opportunities for improvement. For example, *Healthy People 2010* lays out a series of targeted health improvement goals, and those objectives could be used as a benchmark to guide some of the options surrounding health care in the District. The District has also prepared a report based on *Healthy People 2010* that identifies the areas in greatest need of health status improvement for District residents, with a particular focus on eliminating health disparities among racial and ethnic minority populations.[2]

[1] The rate of births to women under age 20 fell from 17.8 percent in 1990 to 15.3 percent in 1998 and the infant mortality rate per 1,000 live births dropped from 23.1 in 1989 to 12.5 in 1998 (although there was a slight increase in 1999 to 15.0 as noted in Table 1). See District of Columbia, *Healthy People 2010 Plan: A Strategy for Better Health.* September 2000.

[2] District of Columbia, *Healthy People 2010 Plan: A Strategy for Better Health.* September 2000.